

RYBAT

VIA: ATB
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DISPATCH NO. OFPA 38148

100-134-300

SECRET
CLASSIFICATION

TO : Chief, IO
FROM : Chief of Station, ☐ ☐
SUBJECT: GENERAL— DETODIC/Operational
SPECIFIC— FJMACHINE

DATE: 6 May 1958

Transmitted under separate cover is a true name Memorandum for the Record covering a conversation which ☐ ☐ had with Callender's assistant on 4 May. The financial irregularities in FJMACHINE's Paris office and the problems to which they have given rise will be reported on further as information concerning them becomes available to ☐ ☐

☐ ☐

Enclosure use
1 - memo

6 May 1958

Distribution:
3 - IO, w/encl.

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04 OFPA 38148

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Robert Grey, 4 May 1958

At Grey's request I met with him on 4 May in the course of which the following subjects were discussed:

A. He told me that an accountant, a Mr. Davie (?), had come from New York to audit the FEER/Paris books, in the course of which the auditor discovered that a sum of 760,000 FF was missing from the cashbox. Upon investigation it developed that the FEER/Paris bookkeeper, Kurtovich, had, according to her story, recently lost the sum in question. She promised to make up this loss from her own pocket. When this incident took place, McCargar was in New York for budgetary consultations; Grey telephoned him to report *inter alia* this incident. Subsequently McCargar learned that the auditor had told New York that Grey and McCargar were trying to cover up this incident, though it had been Grey's understanding that the bookkeeper himself did not intend to report back this financial loss providing Kurtovich replaced the sum involved.

B. An additional error in the accountants in the amount of 18,900 FF was also discovered, this apparently a result of an entry error. Kurtovich again assumed responsibility for the mistake and said she would make good the error from her own funds.

C. Grey reported that Loubert had first brought the incident (reported in (A) above) to the auditor's attention and that he further told the auditor that some time ago Kurtovich had borrowed 189,000 FF from the cashbox which he, Loubert, had made up and for which he had an unredeemed promissory note from Kurtovich. Even though this had occurred prior to McCargar's taking charge of the Paris office, Loubert felt that McCargar might take disciplinary action against Loubert for not having reported this to him when he, McCargar, took charge. Loubert accordingly told the accountant that if any action were taken against him, he had derogatory information on McCargar which he would report to McCargar's superiors.

D. McCargar was in Rome when the Loubert involvement in the foregoing was unveiled. He returned to Paris when he learned of this, though probably for other reasons as well. At a meeting which included the auditor, Loubert Grey and himself, McCargar asked Loubert to explain the charges which he had to make against McCargar. Loubert refused. Even when ordered to do so, Loubert said that he would reveal what he had to say only to McCargar's superiors, though he subsequently said that he would tell McCargar providing no one else were present. McCargar told Loubert that anything he had to say he could say in front of Grey as well. At the time of this writing Grey and McCargar have no clue of what Loubert's charges may consist.

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E. Grey also reported that Loubert had written a letter directly to General Peckham setting forth a proposal of his own which he thought the General might be interested in but which he said in his letter had no relationship to FEER. When General Peckham asked Grey and McCargar about the letter, they knew nothing of it and were upset because Loubert had not gone through channels concerning his proposal. Loubert made it clear to McCargar when questioned on this point that he wished to open up channels to General Peckham in order to report his other information on McCargar to Peckham should the occasion arise.

F. Grey labelled Loubert's tactics as blackmail and said that New York had been requested to send Tom Myers over to take charge of the security aspects. New York had replied that Myers could not come over for some time. Grey suggested that possibly John Leich might stand in Myers' shoes for this purpose (Leich arrives in Paris on 5 May, where he will remain for one week).

G. Grey was concerned that any report of his conversation with me stress the security aspects of Loubert's conduct rather than the financial discrepancies which have been uncovered. Since the office's finances were being straightened out, he felt that New York may not have reported these difficulties to "our friends," and he was accordingly concerned that "our friends" not raise this matter with Yarrow at all (unless the subject is already under discussion at New York's initiative), thereby clearly revealing that McCargar and Grey had reported these details through us. I told Grey that my own report of our discussions would make this point clear. Incidentally, Grey explained his phrase 'security aspects' as referring to the fact that Loubert, having been in charge of the books of FEER/Paris before McCargar's arrival, knows "what is going on" and could presumably reveal rather damaging information about the organization to whomever he chose.

H. McCargar will return again to Paris from Rome on 7 May, at which time presumably he will discuss what action should be taken viz. Loubert with John Leich. At the present writing it is McCargar's intention to fire both Loubert and the accountant.

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